



MARKET MONITORING ISSUES

Energy Market Committee
October 3, 2001

Joseph E. Bowring
Manager
PJM Market Monitoring Unit



Black Start Working Group

- Initial WG recommendation
 - Broad formula approach to components of black start costs
 - O&M; fuel carrying costs; incentive
- PJM/MMU issues raised with WG
- CDTF meeting to review proposed changes to formulae
 - Require documentation if O&M > 1% of plant O&M
 - Require documentation of components of fuel carrying costs
- General discussion of issues with Operating Committee
- WG meeting scheduled
- Review of total PJM black start need



Hydro Costs to Condense

- CDTF proposal
 - Actual power consumption at bus LMP
 - Variable O&M: 20 year average
 - Maintenance of Electric Plant (544)
 - Maintenance of Reservoirs (543)
 - Variable O&M divided by total MWh in service
 - Condensing offers in dollars per hour
 - Condensing offers specify total MW offered
- Procedural
 - Defined by OA (Schedule 1, Section 1.2, and Schedule 2)
 - PJM Board defines in detail the method of determining costs
 - Upon consideration of advice and recommendations of Members Committee



Start Up Costs

- Issue: Frequency of changes to start up costs
- Current rule (Schedule 1, 1.9.7)
 - Start up fees can be changed twice per year
 - April 1 to September 30
 - October 1 to March 31
- Request
 - Increase frequency of permitted changes for start costs
 - Rapid and unexpected changes in fuel costs affect start costs
- Proposal
 - Permit market-based offers to include cost-based start costs
 - These cost-based start costs can be changed daily
 - For market-based offers: Choose cost-based or market-based start costs
 - Option chosen at the same time as changes to market-based start costs
 - Draft OA language distributed



MMU Data Request Update

- MMU will request specific cost related data from generators
- Fuel type specified for each schedule (cost/price)
 - Dual fuel units
 - MUI being modified to require input of fuel type data per drop down menu
- Fuel cost data monthly
 - Electronic form
 - Like EIA 423
 - Fuel costs by unit
 - Heat rates
 - Plan is to use existing market interface, e.g. eDart
- Unit specific cost curves for post 1996 units
- Specify whether cost curves include 10% adder
 - Details of calculation



Current MMU Issues

- Operating constraints
 - Changes in operating constraints to increase operating reserve payments
 - Example: increase min run times for a high demand period
 - Result: increase operating reserves rather than LMP.
 - Not hedgeable
 - Not transparent
 - Significant addition to operating reserve charges
 - Proposal: limit changes in operating constraints to those required by physical constraints
- Cost capping of new units
 - Local market power
 - Rationale for July 1996 exception: cannot bind future generation owners
 - Incentive issue: new vs old units
 - Reasonable expectations of market power?



Current MMU Issues

- Operating reserves and must-run cost-capped units
 - PJM is evaluating the rules governing operating reserve payments for multiple starts for must-run cost-capped units when they trip and restart in real time.
 - PJM is evaluating the rules governing the risk for units which are must-run and cost-capped in the day ahead market, trip and do not return in real time
- PJM West
 - PJM is evaluating the interface limits associated with PJM West to determine if units run to relieve any such limits should be exempt from cost capping, as are units run to relieve the eastern, central and western PJM reactive interfaces (OA, Schedule 1, Section 6)